

Student Activity Fund Frequently Asked Questions from the SAF Workshop Presentation

Question: If a district has cheerleading and dance as part of its sponsored student activity program, can the district require students who are cheerleaders or dancers to purchase their own uniforms?

Answer: No. Anything that is required or essential for any student activity of the district, would fall under “no fee”. Cheer or dance uniforms are necessary and required for cheer or dance squads, so those uniforms are the responsibility of the district to provide. Districts may hold fund raisers if they do not have sufficient funding, and historically most districts ask a booster club to donate funding or to lead fund raisers for that purpose.

Districts could require that students provide and wear undergarments that keep the uniforms sanitary, or shoes that will be worn exclusively by the student and that can be worn as street wear.

Question: If a district decides to customize required uniforms in some way, could it then require the participating students to buy the uniforms?

Answer: No. That would violate the spirit of the law, the rules, and that OAG. If customizing is necessary for some purpose, uniforms can have removable customizing such as a name badge that is sewn on and can be removed.

Question: If a district has cheerleading and dance as part of its sponsored student activity program, can the district require students who are cheerleaders or dancers to attend a camp at the student’s expense?

Answer: If the camp is during that sport’s season, it is permissible for the district to require participating students to attend a camp. If the district requires students to attend a camp, then the district must pay for the camp from appropriate resources. A coach cannot require students to participate in any activities outside of the season of that coach’s sport as a condition of participation in the sport during the season.

Question: There is a new organization (a sports club) forming in our community outside of the school. Our district currently has several booster clubs with which we have a good working relationship, but we are concerned about this new organization. This Club is being formed to subsidize our football program, as we understand, will buy meals on road trips for the team and purchase equipment for students that cannot afford it, such as shoes. They are not forming as a non-profit organization or registering in any way what-so-ever. They are soliciting membership to support our high school football program, using our school on their flyers. Can our team accept these gifts? If the Club buys team shirts and shorts with our school name on them to give to players, is that a violation of the Iowa gift law? Can coaches accept money from the Club to attend clinics? Can our coaches accept apparel or other non-cash items?

Answer: Under Iowa Administrative code 281--- 36.14(3) a student may receive an award from a his school, another secondary school, a registered organization, or the host of an event sanctioned by a registered organization. The value of the award cannot exceed \$50. Generally, no student shall receive any award or accept any trip or excursion of any kind from any individual, organization, or group outside the student’s own school or the governing organization unless a stated exception applies. A student may receive any award for an outside school activity provided that the award does not violate the amateur award rule of the amateur sanctioning body

for that sport. In the absence of an applicable amateur award rule, the student shall not receive any award the value of which exceeds \$50. At no time may any student accept an award of cash. All public employees are subject to Iowa's "gift law." Iowa Code section 68B.22 prohibits, with specific exceptions, a public official or public employee (or that person's spouse and dependent children) from accepting anything valued at more than \$3.00 from a restricted donor. In plain language, if the donor stands to benefit in any way from the agency, the donor is a restricted donor.

The district may accept donations from the Club as long as the uses of the funding as requested by the Club are legal uses of funds by a school district. Students, teams, and coaches should not accept gifts directly and cannot accept donations on behalf of the district unless they directly turn over the donation to the district.

The organization cannot imply it is accepting donations on behalf of the district. It can indicate that donation to the organization will be given to the district, however if the organization is not organized under IRC, then donations are most likely not tax-deductible. Contact the IRS with questions regarding deductibility. The organization cannot use the district's federal ID, discounts, tax free status, or any other district benefit etc. because they are not part of the district.

Question: An opinion of the Iowa Attorney general, supported by the Department of Education, states, "...however, school districts are not required to maintain funds raised by outside organizations in the schools activity fund." Staff with the state auditors office seem to contradict this opinion. They have stated that the district should have control and/or oversight unless the outside organization is a 501c3. Can you please clarify?

Answer: The difference is in the definition of "outside organizations." Entities that use the district's federal ID, discounts, tax exempt status, under the district's insurance policy, etc. are not "outside organizations." Those organizations are part of the district's organization, and their funds must be accounted for by the district.

If the organization has its own federal ID, its own liability, and it may have its own tax exempt status or charitable organization status under IRC, then it is an outside organization. Audit standards may require that the entity be part of the district's audit, but for accounting, the district is not required to directly handle the money or the expenditures on behalf of this organization. The district may do so, if requested by the organization, and if the district chooses to accept that responsibility. In that case, the district would account for these funds in an agency fund.

Question: Non-revenue sports such as cross country and golf often have negative balances at the end of the year. Past practice in our district is to shift money from an "all-activities" or interest bearing account to zero out the account. Our auditor has said we can't subjectively move that money and suggested fundraising in these areas. Requiring certain student athletes to fund-raise when others are not required to do so seems discriminatory. How should a district balance non-revenue sports that have negative accounts annually?

Answer: The auditor probably meant that the district may not transfer money from one fund to another fund without special permission of the SBRC. For example, the district may not transfer

money from the general fund to the student activity fund simply because the student activity fund has a negative balance.

Within the student activity fund, however, all funds are public funds under the control of the board. The board may move from one account to another account within the student activity fund, as the board chooses.

A board is required to provide a balanced program of student activities. Some activities will generate more gate or ticket revenues than others. But all activities are necessary to meet the requirements in rules for an activity program. The board would re-balance these accounts periodically, and generally at least at year end, so that activities with lower gate or ticket revenues are not put in jeopardy of continuation. It is common for football to subsidize other athletics, and for athletics to subsidize non-athletic district-sponsored activities (drama, music, art...). This is appropriate.

It is also allowable, at the board's discretion, to allow individual accounts to be negative in accounts that will carry forward to the following year as long as the total of all accounts in the student activity fund is positive. For example, district may want to continue an account with a negative balance if revenues are anticipated in the following year that would offset that negative amount.

However, a district would not want to maintain a negative balance in an account that will not continue into the following year, such as the class of 2013 account. The board would move money with a general journal entry from another account to zero out the negative account which will not continue in existence in the subsequent year.

Question: Our district holds athletic camps and clinics in-season. In what fund should we account for the financial transactions?

Answer: If the camp or clinic was only an incidental event, not intended to recur, then general fund could be used to account for the revenues and the expenditures. However, if the district intends to continue sponsoring camps and clinics on a regular basis, then the financial activity should be accounted for in an Enterprise Fund.

Question: Our district has camp accounts that are separate accounts but currently are in the student activity fund. We have learned that we can only use these funds "in-season." The district's intent in raising funds for the camp accounts was to assist with the costs of summer camps, which is out of season. Can we use the money in the camp accounts out of season, since that was our intent? If not, can we transfer the money in the camp accounts to the Boosters or to our Foundation to operate the summer camps?

Answer: No, the district cannot use the money in the camp accounts to sponsor a camp or clinic outside of the season for that sport nor to pay the cost for a student to participate in a camp or clinic out-of-season. The district must use the money in the camp accounts for allowable in-season camps and clinics. Board intent does not override law.

No, the district cannot transfer its public funding to a separate or private entity. So the district cannot give its camp account money to a Booster Club or to a Foundation.

The general principles regarding camp/clinic rules states that even if a college is providing the team camp that the district wants to send its students to, it does not change the fact that such a camp is subject to all the same rules as any other camp attended by a secondary student. Therefore, it is not who (college, Booster Club, Foundation, etc.) is providing the camp or clinic that determines whether or not the rules apply, but rather that the camp is intended to be attended by the district's students. The district cannot use its funding for, or require students (whether a team or individual students) to participate in, any camp or clinic costs when that camp or clinic is out of season, without regard to what entity is offering the camp or clinic.

Question: Can we have parents pay our Foundation or Booster Club instead of the district for the district's out-of-season camp or clinic?

Answer: No. The district cannot allow its revenue to be paid to or transferred to a separate or private entity.

Question: Can we have our Foundation operate out-of-season camps and clinics?

Answer: No. Foundations are separate, legal entities from the district, even if established by the district originally. They are organized under IRC as a non-profit organization or charitable organization. Foundations have their own board of directors, their own legal status, their own charter of purpose, and their own economic activity. Generally, foundations conduct fundraising to generate donations from the community or from alumni, invest those funds, and use the earnings or some of the corpus to support the district. It isn't the district that directs what the foundation does, but rather the foundation's own board of directors. The foundation must determine what activities it could undertake within the limits of its legal or tax status and its charter.

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Question: Can student fund raising activities in high school result in students being paid cash? 281—98.70(3)h says cash payments should not be made to student members of activity groups. In our district, an outside fundraising company oversees the fund raising done by students for a school club and pays out the cash to students. However, all promotional materials about the fund raiser and the card they sell all are on school letterhead, bear the name and logo of the high school, and say nothing about the private company. Are these cash payments to students appropriate? Could the school give shirts or bags or something else to students instead of cash?

Answer: If the district is using the external fundraiser—then it is no different than the district doing the fundraising themselves; the external fundraiser is a purchased service of the district. So all the rules apply, and students cannot receive cash. The students also cannot receive

merchandise or personal benefits in lieu of cash—that is still providing district resources to benefit individual students.

If the external fundraiser is its own entity, it must in fact be independent of the district. It cannot use the district letterhead, the district's discounts, the district's tax exempt status, the district's federal ID number, etc. The external fundraiser could state that it is raising money to give to the district, but cannot give the false impression to the public that it is a district activity. The OAG states that the district has the right to regulate fundraising activities during school and during school sponsored events, and to regulate the use of the proceeds for such events. So if the external fundraiser is doing its fundraiser during school or during school events, then the district should be regulating that external fundraiser according to the rules that apply to districts.

If the external fundraiser is independent of the school and presents itself to the public as such, then the external fundraiser might be able to give money to students as long as the fundraiser does not occur during school or during school sponsored events and it does not violate the student's amateur status.